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Order 2001-3-31
Served: March 30, 2001



UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Issued by the Department of Transportation
on the 30th day of March, 2001

Essential air service at

UTICA/ROME, NEW YORK

under 49 U.S.C. 41731 *et seq.*

Docket OST-00-7556 — 19

ORDER SELECTING CARRIER

Summary

By this order we are selecting Champlain Enterprises, Inc., d/b/a CommutAir to provide essential air service (EAS) at Utica/Rome, New York, consisting of two nonstop round trips per day to New York City (JFK) for \$1,133,415 annually.

Background

On June 21, 2000, CommutAir filed a 90-day notice of its intention to suspend its subsidy-free service at Utica/Rome effective September 20, 2000. Because CommutAir was the only carrier serving Utica/Rome, we issued Order 2000-9-5 prohibiting CommutAir from suspending its subsidy-free service and requesting proposals for replacement service. We received proposals from CommutAir only. Order 2000-12-20 set final rates for CommutAir of \$506,880 for four one-stop round trips per day to Newark from September 20 through December 1, and \$455,700 for three one-stop round trips per day to Boston, New York, or Philadelphia until further Department action. On or about December 2, 2000, CommutAir ceased its affiliation with USAirways, and instead began operating as Continental Connection. Because Continental, the new code-share partner of CommutAir would not allow it to use the Continental code to serve Newark, the carrier chose to operate its service to Boston instead. In response to several requests from community officials, Order 2000-12-20 specifically requested proposals for service to New York City. In response to that request for proposals, CommutAir submitted a proposal with three options for our consideration. Another carrier submitted a proposal but subsequently withdrew it. The time for submitting proposals has expired, we have reached agreement with the only carrier having a proposal on the table, and it is now time to reach a decision.

Proposal of CommutAir

CommutAir has presented three options, all of which would be provided for a two-year contract period and provide service to John F. Kennedy Airport with 19-seat Beech 1900D aircraft.

Under Option 1, CommutAir would provide two nonstop round trips each weekday and weekend to New York (JFK). The staff and CommutAir have agreed to \$1,133,415 annual subsidy for this option, as calculated in Appendix B.

Under Option 2, CommutAir would provide three round trips each weekday and weekend period to New York (JFK). For each weekday and weekend period one flight in one direction would be required to operate on a nonstop basis while the other five flights each weekday and weekend would stop at Binghamton. CommutAir and the staff have agreed to \$1,366,258 annual subsidy for this option, as calculated in Appendix B.

Under Option 3, CommutAir would provide two one-stop round trips each weekday and weekend period to New York (JFK) over a Utica-Binghamton-JFK routing. CommutAir and the staff have agreed to \$1,224,254 annual subsidy for this option, as calculated in Appendix B.¹

Community Comment

On January 18, the New York's Department of Transportation indicated its support for air service between Utica/Rome and JFK or any other Port Authority of New York and New Jersey airport. They indicated that Utica had the population and economy to support such air service if there were frequent and convenient service, and that the "NYSDOT is in the position to support the community's efforts to advertise its air services through a grant for a promotional campaign."

By letter dated March 19, 2001, the Oneida Office of the County Executive indicated that it preferred Option 1, two nonstop round trips per service day to New York City (JFK). The community indicated that its two areas of concern were schedule and price. It felt that the preferred departure times from Utica were in the early morning between 6:00 and 6:30 a.m. and mid-afternoon to permit overseas connections. The return flight from JFK to Utica would best serve passengers by arriving between 5:00 and 6:00 p.m. While CommutAir is required to provide service that is well timed and well-scheduled, we do not dictate schedules to carriers, but rather allow them the flexibility to adjust their schedules to community's needs. However, we fully expect the carrier to work with the community in developing a schedule that is well-suited to the community's needs.

With regard to ticket price the community felt that the contemplated average ticket price of \$110 was competitive, but was anxious to know about the various discounts available. We note that the projected average fare of \$110 is for subsidy calculation purposes only and does not include ticket tax.

¹ As a practical matter, this level of service is not a realistic option since the one-stop service would be inferior to the nonstop but not offer any subsidy savings.

Decision

We have decided to select CommutAir's Option 1. Our primary carrier selection criteria are community support and level of subsidy need. Option 1 not only requires the least subsidy of the three options before us, but the community and state fully support it. We note that Utica/Rome has had subsidy-free essential air service since the inception of the essential air service program more than twenty years ago. We have worked closely with the community, and recognize that in the past it has generated a great deal more traffic than CommutAir has projected. Nevertheless, the forecast traffic appears reasonable based on recent traffic results. The community has not had service to JFK before. If the community can generate sufficient traffic, the carrier would be free at any time to provide more subsidy-free service than contemplated in this order. In that regard, we are encouraged however by the community and state's expressed eagerness to promote CommutAir's service.

Carrier Fitness

49 U.S.C. 41738 and 41737(b) require that we find an air carrier fit, willing and able to provide reliable service before we may compensate it for essential air service. The Department has discussed the fitness of CommutAir with the Federal Aviation Administration (FAA). Based on our review, we find that CommutAir has adequate financial and managerial resources to maintain reliable service at Utica/Rome, and that it possesses a favorable compliance disposition. The FAA has advised us that the carrier is conducting its operations in accordance with its regulations, and knows of no reason why we should not find that CommutAir is fit. Based on the above, we find that CommutAir is fit to provide the essential air transportation at issue in this case. CommutAir remains subject to the Department's continuing fitness monitoring.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. The Department selects CommutAir, Inc., d/b/a Continental Connection to provide essential air service at Utica/Rome, New York, for the two-year period beginning with the start of its service to JFK;
2. The Department sets the final rate of compensation for CommutAir for the provision of essential air service at Utica/Rome, New York, as described in Appendix C, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed each month between Utica/Rome and New York City (JFK), by \$935.93;²
4. We find that CommutAir Airlines, Inc., continues to be fit, willing, and able to provide reliable air service at Utica/Rome, New York;

² See Appendix C for calculations.

5. We direct CommutAir, to retain all books, records, and other source and summary documentation to support claims for payment and to preserve and maintain such documentation in a manner that readily permits the audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

6. This docket will remain open until further order of the Department; and

7. We will serve a copy of this order on the Mayor and airport manager Utica/Rome, the Oneida County Executive, the New York Department of Transportation, and CommutAir.

By:

Susan McDermott
Deputy Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov>*



Mileages

Utica - Syracuse	37
Albany	84
Boston	229
New York (JFK)	191
Philadelphia	226

Appendix B

Essential Air Service to be Provided at Utica/Rome, Docket 7556

	Option 1 <u>2 NS/Day</u>	Option 2 <u>3 1S/Day</u>	Option 3 <u>2 1S/Day</u>
Total passengers	4,000	14,196	8,804
Avg. Fare	\$110.00	\$102.58	\$95.96
Pax. Revenue	\$440,000 1/	\$1,456,260 2/	\$844,800 3/
<u>Ert.Rev. @ 1%</u>	<u>\$4,400</u>	<u>\$14,563</u>	<u>\$8,448</u>
Total Revenue	\$444,400	\$1,470,823	\$853,248
Blk. Hours @ 97%	1,614 4/	3,051 5/	2,118 6/
Flights @ 97%	1,211 4/	3,329 5/	2,421 6/
RPMs	657,231	2,506,452	1,447,564
Crew & Training @ \$124.30 hr.	\$200,620	\$379,239	\$263,267
Hull Insurance	\$17,512	\$26,483	\$20,223
Fuel & Oil @ \$140.76/hr.	\$227,187	\$429,459	\$298,130
Supplies & Dispatch @ \$7.27/hr	\$11,734	\$22,181	\$15,398
Maintenance @ \$130.70/hr.	\$210,950	\$398,766	\$276,823
<u>Depreciation</u>	<u>\$236,693</u>	<u>\$357,943</u>	<u>\$273,332</u>
Total Directs	\$904,696	\$1,614,071	\$1,147,173
Station 7/	\$209,758	\$328,228	\$269,573
Ldg. & A/C svc., per ldg.	\$43,784	\$90,277	\$87,568
Res. @ \$15.77/pax.	\$63,080	\$223,871	\$138,839
Pax. Liab. Ins. @ \$.005031/RP	\$3,307	\$12,610	\$7,283
<u>Administrative @ 2.98%</u>	<u>\$36,494</u>	<u>\$67,618</u>	<u>\$49,183</u>
Total Indirects	\$356,423	\$722,604	\$552,446
Total Operating	\$1,261,119	\$2,336,675	\$1,699,619
Interest Exp. @ \$125.72/hr.	\$253,640 11/	\$383,572	\$292,902 11/
<u>Profit @ 5%</u>	<u>\$63,056</u>	<u>\$116,834</u>	<u>\$84,981</u>
Total Economic	\$1,577,815	\$2,837,081	\$2,077,502
Annual Subsidy @ 97%	\$1,133,415	\$1,366,258	\$1,224,254

1/ UCA-JFK, 4,000 pax. @ \$110

2/ UCA-BGM, 780 @ \$75; UCA-JFK, 5,616 @ \$110, BGM-JFK, 7,800 @ \$100.

3/ UCA-BGM, 624 @ \$75; UCA-JFK, 3,000 @ \$110, BGM-JFK, 4,680 @ \$100.

4/ UCA-JFK: 24 flts./week x 80 min. x 52 weeks x .97/60 = 1,614 hrs.; 1,211 flights.

5/ UCA-BGM: 30 flts./week x 35 min. x 52 weeks x .97/60 = 883 hrs.; 1,513 flts.

UCA-JFK: 6 flts./week x 80 min. x 52 weeks x .97/60 = 403 hrs.; 303 flts.

BGM-JFK: 30 flts./week x 70 min. x 52 weeks x .97/60 = 1,765 hrs.; 1,513 flts.

6/ UCA-BGM-JFK: 24 flts./week x (35+70) min. x 52 weeks x .97/60 = 2,118 hrs.; 2,421 flts

7/ Includes promotion.

**COMMUTAIR, INC., ESSENTIAL AIR SERVICE AT
UTICA/ROME, NEW YORK, DOCKET 00-7556**

EFFECTIVE PERIOD: Start of service to JFK, which we expect to be within 60 days of the issuance of this order, for a two-year period.

SCHEDULED PASSENGER SERVICE: 12 nonstop round trips each week to New York City (JFK).

AIRCRAFT TYPE: Beech 1900D, 19-seats.

TIMING OF FLIGHTS Flights must be well-timed and well-spaced to ensure full compensation

SUBSIDY RATE PER FLIGHT: \$935.93 ¹

COMPENSATION CEILING EACH WEEK: \$22,462.32 ²

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

¹ Annual compensation of \$1,133,415 divided by the estimated annual completed departures and arrivals at a 97 percent completion factor: 24 flights x 52 weeks x .97 = 1,211 total.

² Subsidy rate per arrival/departure of \$935.93 multiplied by 24 subsidy-eligible flights each week.